

## Chase Distillery

**This case study focuses on a company which manufactures premium vodka from potatoes, a business model that highlights the importance of adding value and finding an outlet for surplus produce. It also highlights the opportunities provided by successfully developing a niche premium product targeted at a specific market.**

### **Background / Overview**

Based in Herefordshire, Chase Distillery is a family-run manufacturer of award-winning potato and apple vodka, indeed, it is the only UK distillery to offer premium vodka made from potatoes. In addition to its vodka, which will be the focus of this case study, the company also produces gin and liquors using potato vodka and apple vodka as a base spirit.

The principle shareholder of Chase Distillery is William Chase, the former owner of premium snack brand Tyrells Crisps. Funds generated from the £40 million sale of Tyrells Crisps to Langholm Capital in 2008 were used to develop the distillery, which within a few short years has grown to successfully compete against major international vodka producers, winning many prestigious awards in the process, including the 'Best Vodka in the World' title at the San Francisco Spirit Competition 2010 and 'Best Potato Vodka' by Harpers Wine and Spirit magazine.

The 80 acre Chase Farm, in which William Chase is also a shareholder, is the major supplier of Lady Claire and Lady Rosetta potatoes to Chase Distillery. These two varieties are favoured in the production of potato vodka because of their higher starch content when compared to other crops. It should also be noted that one of the initial drivers for establishing the vodka company was as a potential use for potatoes which were too small to be used in the crisp manufacturing process. And it's not just potatoes that can be used to produce vodka – a range of plant products available in the UK have a suitably high starch or sugar content.

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The potato starch is converted into sugar and alcohol during fermentation to form a potato wine, from which the alcohol is purified by distillation to produce potato vodka. Typically, each 700 ml bottle of vodka requires 4 kg of potatoes. Although the price of potatoes varies from year to year, an approximate average of around £100 per tonne isn't too far wide of the mark. Therefore it is fair to estimate that it costs around 40p worth of potatoes per 700ml bottle of vodka – as the total production cost for potato vodka is approximately £5 per litre, potatoes account for just 8% of the overall production costs.

As part of the production process, the vodka is passed over 42 copper bubble plates inside a 42 foot long rectifier three separate times, ensuring the final product is distilled 126 times, enhancing the purity and overall quality. Chase Distillery is also member of the Safe and Local Supplier Approval (SALSA) quality assurance scheme, a food safety certification standard specifically developed for small and micro producers. The SALSA scheme allows businesses to demonstrate that they operate using robust and effective food safety standards, and its mark is held in high esteem by retailers and food service providers.



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In addition to quality, traceability and provenance – and an implicit association with the British countryside – have been crucial USPs in the development of the Chase Distillery brand. The potatoes used to produce the vodka are grown, harvested, stored, and cooked at Chase Farm in Hereford, ensuring the origins of the final product can be traced from the bottle, back through the manufacturing process, to the potato in storage and to the field, thereby offering the customer a product with full traceability.

Once the vodka is produced, additional costs incurred include packaging, distribution, storage, bottling, labelling, quality control and the inclusion of additions such as plant extracts, spices and flowers. As a premium product, the retail price for a litre of Chase Distillery vodka is approximately £50, which is comparable to similar vodka spirits labelled as ‘premium brand’. Distribution is direct to the customer via a courier service, which costs upwards of £100,000 per year. At the time of producing this case study, the company was aiming to scale-up production from 5,000 to 6,000 bottles a week.

Half the vodka Chase Distillery produces is sold ‘on trade’ to bars, clubs, and restaurants, while only around 10% is sold ‘off trade’ to retailers, off-licenses, and direct to customers online. The reasoning behind this is that the company has identified the 20 to 50-year-old customer as its core audience, and as a premium product, they are more likely to try Chase Distillery vodka for the first time in bars or clubs, rather than as an impulse buy when shopping. To try and capitalise on this, the company has placed great importance on building links in the on trade sector and raising the product’s profile to increase the probability of bar staff recommending the product to customers.

Roughly 25-30% of vodka produced is currently exported, primarily to the United States of America and Spain, with some also sold to Russia and China. The firm is keen to expand its export arm though, to tap into an increasing demand, particularly in the USA, for quality British products with an overtly British brand and provenance.

There is also the opportunity to expand sales in the UK market, where vodka is the highest-selling spirit category in both volume and value – for example it accounts for 30% of the UK spirit market by volume, compared to 26% share for Scotch whisky. Another trend the company is looking to diversify into is the rapidly growing popularity of flavoured vodka.

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## Lessons To Be Learned

### Product Choice

William Chase, as a potato merchant, sought to find a market for the small potatoes that were deemed unsuitable for crisp manufacturing and found vodka as a potential market for these potatoes. The potatoes are harvested in the summer, placed in large wooden crates, and transported a short distance for storage in cool and dark sheds at Chase Farm.

There is a long history of vodka production in other countries such as Russia and Poland, but the presence of large vodka manufacturing companies such as Smirnoff did not deter William Chase from entering the market as he understood his particular niche (a premium product) and target audience (on trade via bars rather than as a retail product). The company's commitment to quality vodka has since enabled it to be recognised within the international food and drink sector.



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## Supply Chain Issues

In comparison to the major vodka producers, Chase Distillery is a small-scale producer of a non-perishable, high-value, low-volume product destined for an increasingly competitive market.

Chase Distillery requires 2,500 tonnes of potatoes a year, but this demand is met by the neighbouring Chase Farm, which also provides ample storage facilities. For other horticultural producers interested in adding value in a similar way to producing potato vodka, it is important to consider the costs associated with producing the raw material. In this case, there is a requirement for expensive mechanical equipment associated with potato production and harvesting, although these costs can be minimised by locating near other producers and sharing equipment. The distance from the grower to the processor is also important as the cost of transport and fuel can outweigh the cost of the product if this distance is too great.

Chase Distillery has built a strong relationship with its suppliers and found that there are many advantages of using local businesses, such as establishing a close working relationship, quick delivery service and reduced transport costs. The company also competes on the international market and is looking to increase export sales to countries such as the USA, Spain, China and Russia. Chase Distillery quickly realised the overseas demand for British products, and has capitalised on this by developing a brand that emphasises its product's provenance, quality, and traceability.

## Supply Chain Improvement In Wales

The production of potatoes requires specific growing conditions, with current potato cultivation mainly concentrated in the south and south west of Wales. Consideration should be given to the growing of specific varieties of potatoes in other parts of Wales that may be suitable for the beverage market.

In addition to potatoes, further research into alternative starch-rich plant materials suitable for spirit production could also be considered, particularly crops that would thrive in the climatic conditions found in Wales. Competition from international suppliers is increasing as more countries develop new products and the variation on flavoured vodkas expands. The long shelf-life of vodka and a unique British brand has enabled Chase Distillery to become, and remain, competitive within a short time period. Traceability and provenance are increasingly considered top priorities for consumers and is likely to remain in the future. This attribute could be an important USP when facing stiff competition from other businesses.

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